# F I N A N C I A L S T A T E M E N T S

For

BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

For the year ended

DECEMBER 31, 2013

## INDEPENDENT AUDITOR'S REPORT

To the Council of the Corporation of the

**CITY OF TORONTO AND THE BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE**

We have audited the accompanying financial statements of the Board of Management for the Harbourfront Community Centre, which comprise the statement of financial position as at December 31, 2013 and the statements of operations, changes in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditor's Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

. . ./2

Welch LLP – Chartered Accountants
1200-151 Slater Street, Ottawa, ON K1P 5H3
T: 613 236 9191 F: 613 236 8258 W: www.welchllp.com
An Independent Member of BKR International

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

*Basis for Qualified Opinion*

In common with many not-for-profit organizations, the Centre derives revenue from donations, the completeness of which is not susceptible to satisfactory audit verification. Accordingly, our verification of this revenue was limited to the amounts recorded in the records of the Centre and we were not able to determine whether any adjustments might be necessary to donations, net revenue over expenses, assets and net assets.

*Qualified Opinion*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Board of Management for the Harbourfront Community Centre as at December 31, 2013 and the results of its operations and its cash flows for the year then ended in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

*Other Matter*

The financial statements of the Board of Management for the Harbourfront Community Centre for the year ended December 31, 2012, were audited by another auditor who expressed a qualified opinion on those statements on May 29, 2013 for the reasons described in the Basis for Qualified Opinion paragraph.

Welch LLP

Chartered Accountants
Licensed Public Accountants

Toronto, Ontario
April 23, 2014.

BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

STATEMENT OF FINANCIAL POSITION

DECEMBER 31, 2013

| | 2013 | 2012 |
|---|---|---|
| **ASSETS** | | |
| **CURRENT ASSETS** | | |
| Cash and short-term investments | $ 688,308 | $ 740,072 |
| Accounts receivable - City of Toronto | 79,961 | 60,950 |
| Accounts receivable - Other | 36,146 | 22,532 |
| Prepaid expenses | 2,070 | 2,377 |
| | 806,485 | 825,931 |
| **ACCOUNT RECEIVABLE - CITY OF TORONTO** (note 7) | 301,279 | 325,541 |
| **CAPITAL ASSETS** (note 4) | 12,996 | 14,191 |
| | $ 1,120,760 | $ 1,165,663 |
| **LIABILITIES AND NET ASSETS** | | |
| **CURRENT LIABILITIES** | | |
| Accounts payable and accrued liabilities - City of Toronto | $ 994 | $ 26,014 |
| Accounts payable and accrued liabilities - Other | 194,488 | 184,569 |
| Deferred revenue (note 5) | 93,822 | 123,138 |
| | 289,304 | 333,721 |
| **DEFERRED CAPITAL CONTRIBUTIONS** (note 6) | 6,670 | 3,977 |
| **POST-EMPLOYMENT BENEFITS PAYABLE** (note 7) | 333,875 | 356,921 |
| | 629,849 | 694,619 |
| **NET ASSETS** | | |
| Invested in program capital assets | 6,326 | 10,214 |
| Internally restricted - program fund reserves (note 8) | 447,591 | 427,724 |
| Unrestricted program funds | 36,994 | 33,106 |
| | 490,911 | 471,044 |
| | $ 1,120,760 | $ 1,165,663 |

Approved by the Board:

Tom Lit ................................ Chair

Carolyn Ray ................................ Treasurer

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE**

**STATEMENT OF CHANGES IN NET ASSETS**

**YEAR ENDED DECEMBER 31, 2013**

| | Invested in program capital assets | Internally restricted - program fund reserves | Unrestricted program funds | Total 2013 | Total 2012 |
|---|---|---|---|---|---|
| Net assets, beginning of year | $ 10,214 | $ 427,724 | $ 33,106 | $ 471,044 | $ 474,658 |
| Net revenues over expenses | - | - | 19,867 | 19,867 | (3,614) |
| Transfer of amortization to invested in capital assets | (3,888) | - | 3,888 | - | - |
| Transfer of unrestricted to internally restricted program fund reserves | - | 19,867 | (19,867) | - | - |
| Net assets, end of year | $ 6,326 | $ 447,591 | $ 36,994 | $ 490,911 | $ 471,044 |

(See accompanying notes)

**BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE**

**STATEMENT OF OPERATIONS**

**YEAR ENDED DECEMBER 31, 2013**

| | Program | Administration | 2013 | 2012 |
|---|---|---|---|---|
| **Revenue** | | | | |
| City of Toronto - Administration | $ - | $ 1,174,018 | $ 1,174,018 | $ 1,182,386 |
| Grants | | | | |
| City of Toronto | 88,499 | - | 88,499 | 105,508 |
| Province of Ontario | 55,383 | - | 55,383 | 53,324 |
| Government of Canada | 127,362 | - | 127,362 | 124,108 |
| Foundations/Agencies | 29,579 | - | 29,579 | 37,639 |
| Donations and fundraising | 64,954 | - | 64,954 | 93,105 |
| Membership and program fees | 177,977 | - | 177,977 | 159,429 |
| Rental fees | 122,791 | - | 122,791 | 108,655 |
| Interest | 11,175 | - | 11,175 | 10,349 |
| | 677,720 | 1,174,018 | 1,851,738 | 1,874,503 |
| **Expenses** | | | | |
| Salaries and Wages | 425,806 | 814,430 | 1,240,236 | 1,257,264 |
| Employee Benefits | 55,895 | 206,902 | 262,797 | 288,425 |
| Materials and supplies | 118,041 | 69,958 | 187,999 | 202,408 |
| Purchase of services | 54,223 | 82,728 | 136,951 | 124,991 |
| Amortization of capital assets | 3,888 | 3,209 | 7,097 | 8,406 |
| Amortization of deferred capital contributions | - | (3,209) | (3,209) | (3,377) |
| | 657,853 | 1,174,018 | 1,831,871 | 1,878,117 |
| **Excess of revenue over expenses (expenses over revenue)** | $ 19,867 | $ - | $ 19,867 | $ (3,614) |

(See accompanying notes)

## BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

## STATEMENT OF CASH FLOWS

## YEAR ENDED DECEMBER 31, 2013

| | 2013 | 2012 |
|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | |
| Net revenues over expenses | $ 19,867 | $ (3,614) |
| Adjustments for non-cash items: | | |
| Amortization of capital assets | 7,097 | 8,406 |
| Amortization of deferred capital contributions | (3,209) | (3,377) |
| | 23,755 | 1,415 |
| Increase (decrease) resulting from changes in: | | |
| Accounts receivable - City of Toronto | (19,011) | 26,413 |
| Accounts receivable - Other | (13,614) | 30,835 |
| Prepaid expenses | 307 | (2,109) |
| Accounts payable and accrued liabilities - City of Toronto | (25,020) | (303) |
| Accounts payable and accrued liabilities - Other | 9,919 | (986) |
| Deferred revenue | (29,316) | (41,369) |
| Long term receivable - City of Toronto | 24,262 | (19,895) |
| Post-employment benefits payable | (23,046) | 23,406 |
| **Cash flows from (used in) operating activities** | (51,764) | 17,407 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | |
| Acquisition of capital assets - Administration | (5,902) | - |
| **Cash flows used in investing activities** | (5,902) | - |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | |
| Deferred capital contribution | 5,902 | - |
| **Cash flows from financing activities** | 5,902 | - |
| **INCREASE IN CASH AND SHORT TERM INVESTMENTS** | (51,764) | 17,407 |
| **CASH AND SHORT TERM INVESTMENTS AT BEGINNING OF YEAR** | 740,072 | 722,665 |
| **CASH AND SHORT TERM INVESTMENTS AT END OF YEAR** | $ 688,308 | $ 740,072 |

(See accompanying notes)

## 1. NATURE OF OPERATIONS

The City of Toronto Act, 1997 continued the provisions of By-law No. 1995-0448 dated June 26, 1995 to reflect Chapter 25, Community and Recreation Centres of the Corporation of the City of Toronto Municipal Code. Chapter 25 amended all previous by-laws and established part of the premises at 627 Queens Quay West, Toronto, as a community recreation centre under the authority of the Municipal Act, known as Harbourfront Community Centre (the "Centre"). The Centre is a not-for-profit organization and, as such, is exempt from income tax.

The Municipal Code provides for a Council appointed Board which, among other matters, shall:

(a) endeavour to manage and control the premises in a reasonable and efficient manner, in accordance with standard good business practices, and

(b) pay to the City of Toronto ("City") any excess of administration expenditure funds provided by the City in accordance with its approved annual budget, but may retain any surplus from program activities.

## 2. SIGNIFICANT ACCOUNTING POLICIES

*Basis of accounting*

The financial statements have been prepared in accordance with Canadian Public Sector Accounting Standards for government not-for-profit organizations ("PSA-GNPO") as issued by the Public Sector Accounting Board (PSAB).

*Revenue recognition*

The Centre follows the deferral method of accounting for contributions. Contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated and collection is reasonably assured. Restricted contributions are deferred and recognized as revenue in the year in which the related expenses are recognized and are recorded as deferred contributions on the statement of financial position. Externally restricted contributions for depreciable capital assets are deferred and amortized over the life of the related capital assets. Externally restricted contributions for capital assets that have not been expended are recorded as part of deferred capital contribution on the statement of financial position.

Rental and similar revenues are recognized on the date of the performance or event.

*Cash and short term investments*

Cash and short term investments include cash on hand, cash on deposit with financial institutions, demand deposits and short term investments with maturities of less than twelve months at acquisition.

*Financial instruments*

The Centre initially measures its financial assets and financial liabilities at fair value.

The Centre subsequently measures all its financial assets and financial liabilities at amortized cost.

Financial assets measured at amortized cost include cash, short-term investments and accounts receivable. Financial liabilities measured at amortized cost include accounts payable and accrued liabilities.

2. **SIGNIFICANT ACCOUNTING POLICIES -** Cont'd.

*Contributed material and services*

Because of the difficulty of determining their fair value, contributed materials and services are not recognized in the financial statements. Monetary donations are recorded as received.

*Capital assets*

Capital assets are recorded at cost and contributed capital assets are recorded at fair value at the date of contribution. Amortization is provided on a straight-line basis over their estimated useful lives, as follows:

| | |
|---|---|
| Computer equipment | - 3 year straight line |
| Furniture and equipment | - 5 years straight line |

*Employee related costs*

The Centre has adopted the following policies with respect to employee benefit plans:

(a) The City of Toronto offers a multiemployer defined benefit pension plan to the Centre's employees. Due to the nature of the plan, the Centre does not have sufficient information to account for the plan as a defined benefit plan; therefore, the multiemployer defined benefit pension plan is accounted for in the same manner as a defined contribution plan. An expense is recorded in the period in which contributions are made.

(b) The Centre also offers its employees a defined benefit sick leave plan, a postretirement life, health and dental plan, a long term disability plan and continuation of health, dental and life insurance benefits to disabled employees. The accrued benefit obligations are determined using an actuarial valuation based on the projected benefit method prorated on service, incorporating management's best estimate of future salary levels, inflation, sick day usage estimates, ages of employees and other actuarial factors.

Net actuarial gains and losses that arise are amortized over the expected average remaining service life of the employee group.

The Centre recognizes an accrued benefit liability on the statement of financial position, which is the net of the amount of the accrued benefit obligations and the unamortized actuarial gains / losses.

*Use of estimates*

The preparation of financial statements in conformity with Canadian public sector accounting standards for government not-for-profits requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes accounting estimates when determining the useful life of its capital assets, significant accrued liabilities, the post-employment benefits liabilities and the related costs charged to the statement of operations. Actual results could differ from those estimates, the impact of which would be recorded in future periods.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

## 3. FINANCIAL INSTRUMENTS

Transactions in financial instruments may result in an entity assuming or transferring to another party one or more of the financial risks described below. The following disclosures provide information to assist users of the financial statements in assessing the extent of risk related to the Centre's financial instruments.

*Liquidity risk*

Liquidity risk refers to the adverse consequence that the Centre will encounter difficulty in meeting obligations associated with financial liabilities, which are comprised of accounts payable and accrued liabilities.

The Centre manages liquidity risk by monitoring its cash flow requirements. The Centre believes its overall liquidity risk to be minimal as the Centre's financial assets are considered to be highly liquid.

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Centre's cash and short-term investments earn interest at prevailing market rates and the interest rate exposure related to these financial instruments is negligible.

*Credit risk*

The Centre is exposed to credit risk resulting from the possibility that parties may default on their financial obligations. The Centre's maximum exposure to credit risk represents the sum of the carrying value of its cash, short term investments and accounts receivable. The Centre's cash and short term investments are with a Canadian chartered bank and as a result management believes the risk of loss on this item to be remote.

Management believes that the Centre's credit risk with respect to accounts receivable is limited. The organization manages its credit risk by reviewing accounts receivable aging and following up on outstanding amounts.

*Changes in risk*

There have been no changes in the organization's risk exposures from the prior year.

## 4. CAPITAL ASSETS

Capital assets consist of the following:

| | 2013 | | 2012 | |
|---|---|---|---|---|
| | Cost | Accumulated amortization | Cost | Accumulated amortization |
| Administration | | | | |
| Furniture, fixtures and equipment | $ 155,226 | $ 148,556 | $ 149,324 | $ 145,347 |
| Program | | | | |
| Furniture, fixtures and equipment | 69,691 | 63,365 | 69,691 | 59,477 |
| | 224,917 | $ 211,921 | 219,015 | $ 204,824 |
| Accumulated amortization | 211,921 | | 204,824 | |
| Net book value | $ 12,996 | | $ 14,191 | |

## 5. DEFERRED REVENUE

| | 2013 | 2012 |
|---|---|---|
| Balance, beginning of year | $ 123,138 | $ 164,507 |
| Add: Funds received | 514,438 | 531,744 |
| Less: Amounts recognized as revenue | (543,754) | (573,113) |
| Balance, end of year | $ 93,822 | $ 123,138 |

## 6. DEFERRED CAPITAL CONTRIBUTIONS

| | 2013 | 2012 |
|---|---|---|
| Balance, beginning of year | $ 3,977 | $ 7,354 |
| Add: Contribution deferred in year for capital assets purchases | 5,902 | - |
| Less: Amortization of deferred capital contributions | (3,209) | (3,377) |
| Balance, end of year | $ 6,670 | $ 3,977 |

## 7. POST-EMPLOYMENT BENEFITS AND LONG TERM ACCOUNT RECEIVABLE

The Centre participates in a number of defined benefit plans provided by the City including pension, other retirement and post-employment benefits to its employees. Under the sick leave plan for management staff with ten years of service as of April 1, 2003, unused sick leave accumulates until March 1, 2008 and eligible employees may be entitled to a cash payment upon leaving the Centre's employment. The liability for these accumulated days represents the extent to which they have vested and could be taken in cash by the employee upon termination, retirement or death.

The Centre also provides health, dental, accidental death and disability, life insurance and long-term disability benefits to eligible employees. Depending on length of service and individuals' election, management retirees are covered either by the former City of Toronto retirement benefit plan or by the current retirement benefit plan.

Due to the complexities in valuing the benefit plans, actuarial valuations are conducted on a periodic basis. The most recent actuarial valuation was completed as at December 31, 2012 with projections to December 31, 2013, 2014 and 2015. Assumptions used to project the accrued benefit obligation were as follows:

- long-term inflation rate - 2%
- assumed health care cost trends - range from 3.2% to 6.4%
- rate of compensation increase - 3%
- discount rates - post-retirement 4.4%, post-employment 3.6%, sick leave 4.1%

7. **POST-EMPLOYMENT BENEFITS AND LONG TERM ACCOUNT RECEIVABLE** - Cont'd.

Information about the Centre's employee benefits, other than multi-employer, defined benefit pension plan noted below, is as follows:

| | 2013 | 2012 |
|---|---|---|
| Sick leave benefits | $ 206,160 | $ 219,467 |
| Post retirement benefits | 144,447 | 108,856 |
| | 350,607 | 328,323 |
| Add: Unamortized actuarial (loss) gain | (16,730) | 28,598 |
| Employee benefit liability | $ 333,877 | $ 356,921 |

The continuity of the accrued benefit obligation is as follows:

| | 2013 | 2012 |
|---|---|---|
| Balance, beginning of year | $ 356,921 | $ 333,514 |
| Current service cost | 6,793 | 12,254 |
| Interest cost | 12,030 | 13,917 |
| Amortization of actuarial gain | (5,472) | (1,020) |
| Expected benefits paid | (36,395) | (1,744) |
| Balance, end of year | $ 333,877 | $ 356,921 |

Expenditures in 2013 relating to employee benefits are included as employee benefit expenses for program $1,217 (2012 - $3,511) and administration $(24,261) (2012 - $19,896) on the statement of operations and include the following components:

| | 2013 | 2012 |
|---|---|---|
| Current service cost | $ 6,793 | $ 12,254 |
| Interest cost | 12,030 | 13,917 |
| Amortization of actuarial gain | (5,472) | (1,020) |
| Less expected benefits paid during year | (36,395) | (1,744) |
| Total expenditures related to post-retirement and post-employment benefits | $ (23,044) | $ 23,407 |

A long-term receivable of $301,279 (2012 - $325,541) from the City has resulted from recording sick leave and post-retirement benefits. Funding for these costs continue to be provided by the City as benefit costs are paid and the City continues to be responsible for the benefits liabilities of management staff that may be incurred by the Centre.

The Centre also makes contributions to the Ontario Municipal Employees Retirement System (OMERS), which is a multi-employer plan, on behalf of most of its employees. The plan is a defined benefit plan, which specifies the amount of the retirement benefit to be received by the employees based on the length of service and rates of pay. Employer contributions to this pension plan amounted to $85,903 in 2013 (2012 - $81,162).

## 8. INTERNALLY RESTRICTED - PROGRAM FUND RESERVES

| | 2013 | 2012 |
|---|---|---|
| Mission and Strategic Priority Reserve | | |
| Children and Youth Reserve | $ 78,615 | $ 78,615 |
| Replacement of Capital Equipment | 19,193 | 19,193 |
| Special Project - Community Development | 58,075 | 58,075 |
| Special Project - Summer Program | 35,000 | 35,000 |
| Special Project - Capital Equipment | 51,635 | 51,635 |
| Special Project - Program Financial Subsidy | 19,867 | - |
| | 262,385 | 242,518 |
| Program Administration Reserve | 185,206 | 185,206 |
| | $ 447,591 | $ 427,724 |

The Mission and Strategic Priority Reserve represents funds set aside by the Board of Management for future special projects relating to children and youth or special project initiatives, identified through strategic planning processes and for expenditures required to maintain the Centre's facility and/or for purchases of capital items not funded through other sources. The Program Administration Reserve represents funds set up to meet legal and financial obligations in the event of future funding uncertainties and legal and financial obligations for program salary and benefits not otherwise covered by city administration funds. Internally restricted net assets are not available for other purchases without approval of the Board of Management.

## 9. FUNDS PROVIDED BY THE CITY OF TORONTO - ADMINISTRATION

Funding for administration expenditures is provided by the City according to Council approved budgets. Surplus amounts in administration are repayable to the City. Deficits, other than long-term employee benefits, are to be funded by the Centre unless Council approval has been obtained for additional funding.

| | 2013 Budget (unaudited) | 2013 | 2012 |
|---|---|---|---|
| **Administration expenditure:** | | | |
| Salaries and Wages | $ 798,329 | $ 814,430 | $ 811,329 |
| Employee Benefits | 229,271 | 206,902 | 227,120 |
| Materials and supplies | 79,481 | 69,958 | 67,059 |
| Purchase of services | 86,500 | 82,728 | 76,878 |
| | $ 1,193,581 | $ 1,174,018 | $ 1,182,386 |
| **Centre's actual administration revenue:** | | | |
| Administration budget | | $ 1,193,581 | $ 1,139,207 |
| **Centre's actual administration expenses:** | | | |
| Administration expenses | | $ 1,174,018 | $ 1,182,386 |
| Adjustments for: | | | |
| Post-employment benefits, not funded by the City until paid, that are included in long term accounts receivable - City of Toronto | | 24,261 | (19,895) |
| Vacation pay liability, not funded by the City until paid, that are included in accounts receivable - City of Toronto | | (10,476) | (9,453) |
| Capital asset acquisitions (administration) | | 5,902 | - |
| | | 1,193,705 | 1,153,038 |
| Administration expenditure over approved budget | | $ (124) | $ (13,831) |

The over expenditure of $124 (2012 - $13,831) is included in account receivable from the City.

## 10. COMPARATIVE FIGURES

Comparative figures have been audited by another auditor and have been reclassified where necessary to conform to the presentation adopted in the current year.

## BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

## SCHEDULE OF PROGRAM AND ADMINISTRATIVE REVENUE AND EXPENDITURES

## YEAR ENDED DECEMBER 31, 2013

| | Budget | 2013 | 2012 |
|---|---|---|---|
| **Program revenue** | | | |
| Grants | | | |
| City of Toronto | $ 88,499 | $ 88,499 | $ 105,508 |
| Province of Ontario | 55,121 | 55,383 | 53,324 |
| Government of Canada | 128,868 | 127,362 | 124,108 |
| Other foundations/agencies | 29,578 | 29,579 | 37,639 |
| Donations and fundraising | 65,313 | 64,954 | 93,105 |
| Memberships and program fees | 134,735 | 177,977 | 159,429 |
| Rental fees | 115,000 | 122,791 | 108,655 |
| Interest | 9,000 | 11,175 | 10,349 |
| | 626,114 | 677,720 | 692,117 |
| **Program expenditures** | | | |
| Salaries and Wages | 421,426 | 425,806 | 445,935 |
| Employee Benefits | 46,838 | 55,895 | 61,306 |
| Materials and supplies | 118,750 | 118,041 | 135,348 |
| Purchase of services | 64,830 | 54,223 | 48,113 |
| Amortization of capital assets | - | 3,888 | 5,029 |
| | 651,844 | 657,853 | 695,731 |
| Excess of expenditures over revenues | $ (25,730) | $ 19,867 | $ (3,614) |
| **Administration expenditures** | | | |
| Salaries and Wages | 798,329 | 814,430 | 811,329 |
| Employee Benefits | 229,271 | 206,902 | 227,120 |
| Materials and supplies | 79,481 | 69,958 | 57,345 |
| Purchase of services | 86,500 | 82,728 | 86,592 |
| Amortization of capital assets | - | 3,209 | 3,377 |
| Amortization of deferred capital contributions | - | (3,209) | (3,377) |
| | 1,193,581 | 1,174,018 | 1,182,386 |
| Fund provided by City of Toronto - Administration | 1,193,581 | 1,174,018 | 1,182,386 |
| Administration excess of expenditures over revenue | - | - | - |
| Excess of expenditures over revenues - Program | $ (25,730) | $ 19,867 | $ (3,614) |

REPORT TO THE

# BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

For the year ended December 31, 2013

Prepared by:
Welch LLP

## AUDIT STATUS

Our audit of the financial statements of Board of Management for the Harbourfront Community Centre for the year ended December 31, 2013 is substantially complete and we expect to release our auditors' report after the following outstanding matters are completed:

- Receipt of the signed management representation letter
- File review by a second partner at Welch LLP
- Final subsequent events review
- Approval of draft financial statements by the Board

If any significant matters arise between the date of this report and the signing of our audit report we will raise them with you. The following paragraphs provide information we are required to communicate with you in accordance with Canadian generally accepted auditing standards.

## QUALITATIVE ASPECTS OF ACCOUNTING PRACTICES AND FINANCIAL REPORTING

Our audit includes consideration of the qualitative aspects of the financial reporting process, including matters that have a significant impact on the relevance, reliability, comparability, understandability and materiality of the information provided in the financial statements.

There are no matters with respect to the qualitative aspects of accounting practices that we wish to draw to your attention in relation to the financial statements for the 2013 fiscal year.

## MANAGEMENT LETTER OF REPRESENTATION

It is necessary for us to obtain written representations from management as an acknowledgement of their responsibility for the fair presentation of the financial statements and as audit evidence on matters material to the financial statements. We have provided a draft of the letter of representation in Appendix A. The Executive Director has committed to provide us with a signed copy of the letter on a date to coincides with the date of our auditors’ report.

## MISSTATEMENTS

The corrected misstatements identified during our audit are included in Appendix A. Management made all the corrections we proposed and as a result there are no unadjusted errors to report to you.

## SIGNIFICANT DEFICIENCIES IN INTERNAL CONTROL

During our audit we did not identify any significant deficiencies in internal control to report to the Board.

## OTHER REPORTABLE MATTERS

We observed that the vacation liability has been increasing consistently every year. As at December 31, 2013 the Centre is carrying a vacation liability of $57,438 related to the administration staff. One key employee has an accumulated balance of unused vacation of over 370 hours, which is significant to the Centre. We understand with limited personnel resources at the Centre, it is difficult to take vacation. Nevertheless, the absence of a key employee on paid leave could impact on the operations and control environment of the Centre. We recommend that either the vacation be paid out in full or partially if that is the Centre's policy or plan be established to reduce the vacation accumulated. The Centre should consider monitoring vacation on a regular basis to avoid accumulations of vacation beyond the annual entitlement.

Management's Comments:

The HCC Finance and Human Resources Committees regularly reviews all outstanding vacation for each staff member verified by sign off on timesheets and monthly credit balances. There is a yearly plan in place to encourage staff to use vacation in the year that it is earned. Vacation carry-over is allowed in extenuating circumstances. In 2012 and 2013 there were operational reasons for why vacation was unable to be used in the year which it was earned which resulted in increased liability for the Centre. In 2012 approximately $112,000 (2.5 FTE’s) were eliminated from HCC’s administration operating budget. The Board is aware of the fact and in fact, there is a plan in place for 2014 to significantly reduce the liability. The Board has also approved the vacation schedule for the key employee to take vacations in 2014, which will significantly reduce the accumulation of unused vacation liability by the end of 2014.

## INDEPENDENCE

Canadian generally accepted auditing standards require that we communicate at least annually with you regarding all relationships between Board of Management for the Harbourfront Community Centre and us that, in our professional judgment, may reasonably be thought to bear on our independence.

We evaluated our role and relationship with the organization and determined that there were no independence issues, as outlined in the Rules of Professional Conduct that govern our profession, that would prevent us from performing the audit.

## FINANCIAL STATEMENT PRESENTATION

### 1. Significant Accounting Policies

The organization’s significant accounting policies are disclosed in the notes to the financial statements.

During the year there were no new accounting policies or changes to existing accounting policies.

### 2. Management’s Judgments and Accounting Estimates

During the audit we did not encounter any situations that required significant judgements on the part of management or involved significant estimates.

## DIFFICULTIES ENCOUNTERED DURING THE AUDIT

During the course of our audit we received the full co-operation of management and did not encounter any difficulties during our audit. There were no limitations on the scope of our audit work and we did not have any disagreements with management.

**MATTERS SPECIFICALLY REQUIRED BY OTHER CANADIAN AUDITING STANDARDS TO BE COMMUNICATED**

Other sections of Canadian Auditing Standards require us to communicate with those charged with governance in a number of specific circumstances:

- Where we encounter unusual related party transactions or significant matters related to related party transactions;
- Where we encounter other transactions that were unusual or not in the normal course of business;
- Where we suspect or detect fraud;
- Where there is inconsistency between the financial statements and other information in documents containing the financial statements; and
- Where we believe there may be non-compliance with legislative or regulatory requirements.

We did not encounter any such matters during the course of our audit.

**ACKNOWLEDGEMENTS**

During the course of our audit, we received considerable assistance from the organization's staff and management. We would like to take this opportunity to thank them for efforts and for their constructive approach to the audit.

# BOARD OF MANAGEMENT FOR THE HARBOURFRONT COMMUNITY CENTRE

627 Queen's Quay West
Toronto, Ontario
M5V 3G3

To be determined

Welch LLP
36 Toronto Street
Suite 530
Toronto, ON
M5C 2C5

Dear Sirs:

We are providing this letter in connection with your audit of the financial statements of Board of Management for the Harbourfront Community Centre as of December 31, 2013 and for the year then ended, for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of Board of Management for the Harbourfront Community Centre in accordance with Canadian public sector accounting standards for government not-for-profit organizations.

We acknowledge that we are responsible for the fair presentation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations and for the design and implementation of internal controls to prevent and detect fraud and error.

We acknowledge that your examination was planned and conducted in accordance with Canadian generally accepted auditing standards so as to enable you to express an opinion on the financial statements. We understand that while your work includes an examination of the accounting system, internal control and related data to the extent you considered necessary in the circumstances, it is not designed to identify, nor can it necessarily be expected to disclose, fraud, shortages, errors and other irregularities, should any exist.

Certain representations in this letter are described as being limited to matters that are material. An item is considered material, regardless of its monetary value, if it is probable that its omission from or misstatement in the financial statements would influence the decision of a reasonable person relying on the financial statements.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated April 23, 2013, for the preparation of the financial statements in accordance with Canadian public sector accounting standards for government not-for-profit organizations; in particular, the financial statements are fairly presented in accordance therewith.
2. The significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.

## Information Provided

1. We have provided you with:

    (a) Access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;

    (b) Additional information that you have requested from us for the purpose of the audit; and

    (c) Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence

2. All transactions have been recorded in the accounting records and are reflected in the financial statements

3. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud. We have assessed this risk as low.

4. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:

    (a) Management;

    (b) Employees who have significant roles in internal control; or

    (c) Others where the fraud could have a material effect on the financial statements.

5. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, regulators or others.

6. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

7. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.

## Accounts Receivable

1. Accounts receivable are correctly described in the records and represent valid claims as at the year-end against the persons or companies indicated. These accounts are expected to be collected within twelve months, except for balances as disclosed as long-term.

2. The accounts receivable are free from hypothecation or assignment except as disclosed in the notes to the financial statements.

3. Adequate allowance has been made for any losses from uncollectible accounts.

4. Accounts receivable represent valid claims relating to transactions made before the end of the fiscal year. Adequate provision has been made for losses which may be sustained in the collection of receivables.

**Temporary and Portfolio Investments**

1. All investments that are owned by the organization are recorded in the accounts.
2. The organization has good title to all investments recorded in the accounts and these investments are free from hypothecation.
3. These investments were valued at cost computed on an average cost basis as at December 31, 2013.
4. All income earned on the investments for the year has been recorded in the accounts.
5. Where there has been a significant adverse change in the expected timing or amount of future cash flows from an investment, it has been appropriately written down.

**Capital Assets**

1. All charges to capital asset accounts during the year represent actual additions to and no expenditures of a capital nature were charged to the operations of the organization during the year.
2. All capital assets sold or dismantled have been properly accounted for in the books of the organization.
3. Appropriate rates have been used to amortize the assets over their estimated useful lives and the provisions were calculated on a basis consistent with that of the previous period.
4. The organization has good title to the properties represented by the balance carried in the capital asset accounts, and there are no liens, mortgages or other charges against any of the capital assets shown on the books of the organization.
5. Where the value of any capital assets has been impaired, this fact has been disclosed to you.
6. The organization has not acquired any capital assets in the year.

**Liabilities and Commitments**

1. At the year end, with the exception of relatively immaterial obligations for which invoices had not been received or which otherwise could not readily be determined or estimated, all known liabilities of the organization are included and fairly stated on the balance sheet.
2. At the year-end there were no contingent liabilities (e.g., discounted receivables or drafts, guarantees, pending or unsettled suits, matters in dispute).
3. The organization has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance, including all covenants, conditions or other requirements of all outstanding debt.
4. At the year-end, the organization had no unusual commitments or contractual obligations of any sort that were not in the ordinary course of business or that might have an adverse effect upon the organization.
5. All claims outstanding against the organization or possible claims have been disclosed to you and, where appropriate, reflected in the financial statements or notes thereto.
6. We understand that any illegal or possibly illegal act could damage the organization or its reputation or give rise to a claim or claims against the organization. We are not aware of any violations or possible violations of law or regulations the effects of which should be considered for disclosure in the financial statements or as the basis for recording a contingent loss.

**Statement of Operations**

1. All of the revenues of the organization for the year has been recorded in the books of account and disclosed in the financial statements.

2. The statement of operations contains no extraordinary or non-recurring items of material amount except as shown thereon.

**Restrictions**

All restrictions on the use of the organization's funds or assets, as well as all requirements or conditions imposed by third parties, have been brought to your attention and are appropriately disclosed in the financial statements. The organization complied with all restrictions, requirements or conditions which, in the event of non-compliance could have a significant effect on the financial statements.

**Corporate Minutes**

The minute books of the organization contain an accurate record of all of the business transacted at meetings of the Board of Management up to the date of this letter.

**Controlled and Related Entities**

The organization does not have relationships with any companies or other not-for-profit organizations that involve control, joint control, or significant influence nor does the organization have an economic interest in any other not-for-profit organization.

**Related Party Transactions**

1. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards for government not-for-profit organizations.

2. There have been no exchanges of goods or services with any related parties during the year that require disclosure in the financial statements.

**Recognition, Measurement and Disclosure**

1. Significant assumptions used in arriving at the fair values of financial instruments as measured and disclosed in the financial statements are reasonable and appropriate in the circumstances.

2. The organization has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the financial statements.

3. The nature of all material measurement uncertainties has been appropriately disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

4. The actuarial assumptions and methods used to measure the pension liabilities and costs for financial accounting purposes are appropriate in the circumstances

## Going Concern

We confirm that we have assessed the entity's ability to continue as a going concern, taking into account all information which is at least twelve months from the year-end date, and we conclude that the entity is able to continue as a going concern for the foreseeable future.

## General

1. We are unaware of any frauds or possible frauds having been committed by the organization, its employees or any of its directors and officers and we have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

2. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements.

3. We acknowledge that we are responsible for the implementation and operation of internal controls that are designed to prevent and detect fraud and error.

4. We are unaware of any known or probable instances of non-compliance with the requirements of regulatory or governmental authorities, including their financial reporting requirements.

5. In the course of your audit of our financial statements for the year ended December 31, 2013, you have recommended certain journal entries and adjustments to our books and records as attached to this letter. We hereby acknowledge that we understand, agree with and approve of the attached journal entries which have been considered necessary to present fairly the financial position and operating results of our organization.

## Events Subsequent to the Year-end

All events subsequent to the date of these financial statements and for which Canadian public sector accounting standards for government not-for-profit organizations require adjustment or disclosures have been adjusted or disclosed.

Yours very truly,

BOARD OF MANAGEMENT FOR THE
HARBOURFRONT COMMUNITY CENTRE

Per______________________________________
Leona Rodall, Executive Director

**Board of Management for the Harbourfront Community Centre**
**Year End: December 31, 2013**
**Adjustments**
**Rev. 10/10/01**
**Date: 01/01/2013 To 31/12/2013**

| Number | Date | Name | Account No | Reference | Annotation | Debit | Credit | Recurrence | Misstatement |
|---|---|---|---|---|---|---|---|---|---|
| 1 | 31/12/2013 | Deferred Revenue - Camp | 307100-000203 | HH1 | | 10,603.00 | | | |
| 1 | 31/12/2013 | Deferred Revenue - Camp | 307100-000203 | HH1 | | | 3,659.23 | | |
| 1 | 31/12/2013 | Registration Fees | 605200-000203 | HH1 | | | 10,603.00 | | |
| 1 | 31/12/2013 | Fundraising | 607100-000203 | HH1 | | 3,659.23 | | | |
| | | To recognize camp registration fees in 2013F and defer fund raised for camp program for future years. | | | | | | | |
| 2 | 31/12/2013 | Deferred Revenue | 307100-000232 | HH1 | | 5,000.00 | | | |
| 2 | 31/12/2013 | Registration Fees | 605200-000232 | HH1 | | | 5,000.00 | | |
| | | To recognize deferred fitness revenue in 2013F | | | | | | | |
| 3 | 31/12/2013 | Deferred Revenue - Youth | 307100-000241 | HH3 | | 4,000.00 | | | |
| 3 | 31/12/2013 | Registration Fees | 605200-000241 | HH3 | | | 4,000.00 | | |
| | | To recognize afterschool program registration fees in F2013F | | | | | | | |
| 4 | 31/12/2013 | Deferred Revenue | 307100-000274 | HH1 | | 4,492.00 | | | |
| 4 | 31/12/2013 | Registration Fees | 605200-000274 | HH1 | | | 4,492.00 | | |
| | | To recognize children fitness program registration fees in 2013F | | | | | | | |
| | | | | | | **27,754.23** | **27,754.23** | | |

**Net Income (Loss)** **19,868.10**



| Prepared by | Reviewed by | Reviewed by |
|---|---|---|
| AZ 09/04/2014 | | |